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PRC DISCUSSION PAPER
ON ARGENTINA.

ALSO ATTACHED IS
THE DRAFT I CLEARED
LAST WEEK AFTER
CONSULTING SPALMER.

ARA IS NOW
PREPARING A BRIEFING
PAPER FOR MR. CHRISTOPHER.
WE WILL CLEAR. PRT

Department of State, A/GIS/IPS/SRP

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DEPARTMENT OF STATE

Washington, D.C. 20520



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April 26, 1980

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Argentina

MEMORANDUM FOR DR. ZBIGNIEW BRZEZINSKI
THE WHITE HOUSE

SUBJECT: PRC Meeting on Argentina

Cancelled
Wed Apr 30 3pm

Attached are the agenda and discussion paper,
prepared by the Department, for next week's PRC
Meeting on Argentina.

P. Tarnoff

Peter Tarnoff
Executive Secretary

Attachments:

As stated.

Department of State, A/GIS/IPS/SRP
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PRC MEETING ON ARGENTINA

AGENDA

- Recent Soviet initiatives in the Western Hemisphere:
Soviet Near and Long-term Objectives
- Significance of and Prospects for Argentine-Soviet
Cooperation
- Basic U.S. Approaches To Contain Soviet Influence
While Pursuing Other U.S. Objectives
- Discussion of Specific Courses of Action

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12-14-70**SECRET**THE ARGENTINE-SOVIET RELATIONSHIPTHE ISSUE

In recent months the Soviets have stepped up their efforts to woo Argentina and Brazil, the two major powers on the South American continent.

In the case of Brazil, a Soviet parliamentary delegation brought a personal invitation from Brezhnev for President Figueiredo to visit Moscow; our Ambassador in Brasilia conveyed concern but Figueiredo accepted in principle, with the visit to take place some time in 1981. In the case of Argentina, the Soviets have offered nuclear materials and have probed Argentine interest in military cooperation. Both countries have been visited by high-level economic delegations.

U.S. interests in Argentina, the subject of this paper, are considerable. Argentina is a major center of Spanish-speaking America, with considerable influence throughout the region. Primary U.S. interests are Argentina's orientation in the East-West relationship, nonproliferation, human rights (both integrity of the person and Argentina's future political evolution), and the maintenance of peace and stability in the Hemisphere (i.e. peaceful resolution of the Beagle Channel dispute). Other U.S. interests are substantial bilateral trade and investment ties; a constructive Argentine role on major international issues; and a positive contribution to the affairs of the Hemisphere.

This paper examines:

- the scope, motivation and prospects of Argentine-Soviet cooperation; and
- possible U.S. actions to contain Soviet efforts to gain increased political and economic influence; taking into account U.S. interests in human rights and nuclear non-proliferation.

THE FACTS

Contact and cooperation between Argentina and the Soviet Union is expanding in six areas:

- Political Cooperation, principally focused

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on the UN. The Soviets and the GOA have agreed to increase consultations prior to UNGA sessions and to support each other, especially on human rights. Moscow has ceased its propaganda attacks on the GOA. Argentina, on the other hand, has voted with the majority in condemning the Soviet invasion of Afghanistan. Videla will visit Peking in late May, partly in an effort to maintain balance in Argentine foreign policy. Argentine officials have been defensive about their support of Soviet-Cuban causes, stressing the pragmatic character of such cooperation.

-- Beagle Channel. The Soviets are publicly supporting Argentina against Chile. (While papal mediation is continuing, no solution to the dispute is in sight at this time.) During the period of high military tensions in December 1978, the Soviets reportedly offered to sell surface-to-surface and surface-to-air missiles to Argentina. Recently there have been disturbing reports of renewed Argentine contingency planning for military action, although probably as a tactic to pressure the Chileans into concessions.

-- Growing Economic Ties. Argentina and the Soviet Union are becoming major trading partners. Argentine exports to the U.S.S.R. grew from \$219 million in 1976 to \$385 million in 1978 and could reach \$900 million this year (compared with an estimated export total world-wide of \$8 billion). The Soviet Union will become Argentina's largest market for agricultural exports in 1980.

Argentina is running a large surplus with the Soviet Union. Thus, there is considerable pressure on the Soviets to increase exports to Argentina and for the GOA to help the Soviets identify market opportunities. Both governments are interested in further expanding bilateral trade. On April 15 they signed an economic agreement; reportedly, Argentina agreed to maintain its exports of wheat at current levels. There are conflicting reports on whether Argentina agreed to set a specific figure for coarse grains (corn and sorghum). Argentine officials, however, have assured us that despite heavy Soviet pressure they rejected a commitment to a specific figure.

-- Cooperation in Fisheries. The Soviets have offered wide-ranging cooperation in return for fishing rights within Argentina's claimed 200 mile zone; joint scientific investigations; and the establishment of

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joint Soviet-Argentine fishing enterprises. The GOA apparently has decided to proceed with bilateral arrangements (a protocol covering a joint study of resources in the South Atlantic was signed last month) but is now considering cautiously the legal, political, and security implications of a significant increase in the Soviet presence in the South Atlantic.

-- Nuclear Relations. The Soviets have reportedly offered 20% enriched uranium for Argentina's research program, heavy water, and heavy water production technology which would permit the expansion of Argentina's pilot heavy water plant. (The Soviets have already supplied machinery for fuel element fabrication.) Unconfirmed reports allege that Argentina hopes to acquire some 50 tons of heavy water of Soviet origin for stockpiling; the reports are silent on the nature of the safeguards required by the Soviets for its transfer. Soviet policy is to require safeguards and the other conditions envisaged by the Nuclear Suppliers Guidelines. (Apparently, however, the Argentine Atomic Energy Commission acquired 4 tons of heavy water from European sources, reportedly of Soviet origin but possibly without Soviet knowledge; according to the reports, the Commission has decided to withhold this heavy water from the safeguards inventory.)

Argentine nuclear officials appear to be confident that the Soviet Union will help provide an alternative source of supply for materials denied by the U.S.

-- Military Offers. Since late 1979, there have been exchanges of high-level army delegations, which discussed training methods in each country, and exchanges of port visits between the two navies. Despite numerous Soviet overtures, however, the Argentines have not purchased any Soviet arms. Western Europe plus Israel have emerged as Argentina's principal arms supplier. (Some \$3.5 billion of military hardware have been purchased by Argentina from European suppliers and the Israeli Government since 1977.) The Argentines also have not accepted Soviet proposals for training and exchanges. Resistance to a supply/training relationship appears to remain strong within the Argentine Armed Forces, although perhaps not as firm as one or two years' ago; alleged buying missions have been scheduled to the Soviet Union, possibly as an intended warning to the U.S.

SIGNIFICANCE AND PROSPECTS

In seeking to expand cooperation with Argentina

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(and Brazil), the Soviets are pursuing both specific operational and long-term strategic interests.

According to intelligence, the Soviets have considered Argentina a target country since 1975. Their objective is to draw the GOA (and Brazil) toward a neutralist, friendly position on East-West issues by establishing economic and political influence and by exploiting U.S.-Argentine differences. Other specific Soviet interests are access to Argentine grain supplies and potential opportunities for Soviet exports (power generating equipment, heavy machinery). The high interest in Argentine grains supplies has been enhanced by the U.S. embargo. The recently concluded trade agreement suggests the relationship could be permanent.

Over the next decade, the Soviets may also hope to gain some access to Argentine naval and air facilities, especially for reprovisioning of naval units, which would make it easier for them to pursue naval and air operations over the South Atlantic. The Soviets at present have access on the west coast of Africa but no support points in the Western Hemisphere, except in Cuba. The small Soviet flotilla continually deployed in the South Atlantic currently limits its operations largely to West African waters. (In the past the Soviets have also conducted reconnaissance flights from Murmansk and Havana, which terminated in Conakry and Luanda. The Soviets have now lost access to Conakry; there have been no reconnaissance missions on the Havana-Luanda run this year.)

From the Argentine standpoint, the Soviet overtures have considerable attraction. They offer concrete benefits -- economic (because of a profitable trade relationship with the Soviets), political (because of isolation in the West over human rights), and technological (because of differences with the U.S. on safeguards assurances). Argentine leaders also believe that expanded ties with the Soviet Bloc will help them gain greater freedom of action and enhance Argentina's international position. Both the economic ministry and the foreign office are strong advocates of expanded cooperation with the Soviet Bloc. Despite the present regime's conservatism and strongly anti-Marxist bent, this policy appeals to Argentine nationalism in the present climate of strains with the West.

Prospects are for expanding economic ties over

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the next decade, irrespective of U.S. action. This may inhibit Argentine support of U.S. positions in opposition to the Soviet Union. The extent of Argentine-Soviet political cooperation, on the other hand, will depend importantly on the state of U.S.-Argentine relations and the issues between us. The outlook for Argentine-Soviet military cooperation is uncertain; however, there may be growing pressure from the Soviets to use some portion of the trade surplus for military purchases.

In sum, looking ahead into the decade, Argentine-Soviet relations are likely to expand, a development we must watch closely and take into account. The growth and scope of Soviet influence will partly depend on U.S. policy. Argentina's basic cultural and political identification with the West -- Europe, Latin America, and the U.S. -- remains an important asset, and a fundamental realignment of Argentine foreign policy, away from its present alliance relationships, is unlikely at this time. But even without formally forsaking the OAS/RIO Treaty, Argentina could drift toward a neutral position on East-West issues or provide the Soviets considerable specific support in return for Soviet benefits. Such a development could represent a significant political and psychological setback to the United States.

U.S.-ARGENTINE RELATIONS

In recent visits to Buenos Aires, U.S. emissaries -- the Goodpaster, Hodges, and Smith missions -- have stressed our desire to strengthen relations and have placed greater emphasis than in the past on seeking cooperation and understanding on East-West and nuclear issues. They have also, however, continued to emphasize that human rights remain important to us and that we will have to "agree to disagree" with respect to the question of NPT-type full-scope safeguards on Argentina's nuclear program.

Over the past four years U.S.-Argentine relations had been strained, principally because of our concerns and actions over human rights; and because of U.S. diplomatic efforts to persuade other suppliers of nuclear technology to seek full-scope safeguards as a condition for the sale of new equipment.

Our efforts to persuade the FRG and the Swiss have failed, and their sales of nuclear equipment

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are going ahead. Despite previous promises, the GOA has not ratified the Treaty of Tlatelolco. However, it appears Argentine leaders are becoming more aware of the problem of nuclear proliferation. As regards human rights, there has been some progress -- notably in regard to curbing the practice of disappearances and reducing the number of Executive detainees --but serious problems remain which impede the resumption of a full and normal bilateral relationship.

As a result of the recent consultations, the tone of U.S.-Argentine relations has considerably improved. We have made clear that our continuing human rights and nuclear concerns do not preclude dialogue and cooperation in other areas. Argentine leaders have stressed that they consider Argentina part of the West, that their aim is to construct a stable democratic system, and that they desire better relations and closer cooperation. Argentina has begun to provide limited cooperation on issues important to the U.S. In particular, the GOA:

- recalled its ambassador from Tehran for consultations (while continuing economic ties);

- agreed to set certain informal limits on its grains exports to the Soviet Union, although at a level close to twice that of Argentina's previous high (we expected Argentina to have a bumper crop and the levels seemed not unreasonable); and

- is likely to decide against participation in the Moscow Summer Olympics.

We also believe there is a reasonable prospect that the GOA will eventually agree to continue some informal limits on grain exports in the year beginning October 1. This may require intense negotiations, and the GOA most likely would be unwilling to reduce coarse grains exports from this year's levels. Without some limitation, however, Argentine grains exports to the Soviet Union might substantially increase.

POSSIBLE U.S. APPROACHES

Looking ahead through the decade, we should take steps to impede the growth of Soviet influence; expanding Argentine-Soviet cooperation should be a matter of serious concern.

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Our basic approach should be three-fold. We should:

- help foster an Argentine sense of identification with the West and promote an Argentine perception that, despite important differences, they have something of value to gain from improving their relations with us, and that we seek to narrow differences through a continuing high-level dialogue;

- convey to GOA leaders our sensitivity and concern to the growing Argentine-Soviet connection and our expectation that they will stand with us on East-West issues (we do not wish, however, to give encouragement to the Argentines that their Soviet connections give them leverage on U.S. policy); and

- continue to pursue other U.S. policy interests vigorously, but in a manner that takes into account Argentine deep-seated nationalism.

Following are the specific actions now contemplated or under way, to promote closer working relations with the GOA, together with certain possible additional steps:

1. Political Consultations

We plan to continue the expanded high-level political dialogue begun by the Goodpaster mission. The next opportunity will be the visit by Undersecretary for Foreign Affairs Cavandoli to Washington May 1-2. Secretary Vance will be meeting Foreign Minister Pastor at the OASGA and the UNGA later in the year. The Assistant Secretary for Inter-American Affairs plans to visit Buenos Aires later in the year provided that human rights progress continues and the timing is propitious from other points of view.

As circumstances permit, Argentina (and Brazil) should be included in consultations and briefings on major world developments which we undertake with OECD countries. We also propose to set up periodic bilateral policy planning talks with the GOA, similar to those with Brazil.

During these meetings we plan to discuss the international security situation, Argentina's role in East-West relationships, its contribution to Hemispheric affairs (i.e. Central America), and U.S.-Argentine bilateral relations. We also plan to raise the issue of Soviet-Argentine cooperation. (The visit by Minister

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Martinez de Hoz will offer another opportunity for doing so -- see below.)

There is also the question of whether we should consult with our allies on the expanding Argentine-Soviet relationship, as well as related policy issues, such as human rights.

2. Economic Consultations

Minister of Economy Martinez de Hoz will be visiting Washington on May 6. This visit will offer an opportunity to begin discussions on Argentine cooperation in the grains embargo after October 1.

Deputy Secretary of Commerce Luther Hodges, during his visit to Buenos Aires, agreed to a meeting of the U.S.-Argentine Mixed Economic Commission. We believe this meeting should be held in October as discussed during the Hodges visit.

A further question is whether the bilateral agreement of cooperation in agriculture, negotiated by a USDA team in Buenos Aires last year, should now be concluded and implemented, or whether this step should be held back pending further progress in human rights.

3. Military Relations

Visits. General Vaquero, Chief-of-Staff of the Argentine Army, is to be invited by General Vessey to make a military visit in mid-September. The invitation is to be issued in June, assuming developments with respect to human rights and U.S.-Argentine relations are favorable. No senior U.S. visits are contemplated for the rest of this year; however, General Tanguy has recently visited Buenos Aires as part of his responsibilities.

Joint Exercises. Argentina has been invited to participate in UNITAS XXI in September. We also need to decide whether to go forward with plans to invite the Argentine navy to participate in Ocean Venture, a joint exercise of NATO and South American naval units in the South Atlantic now planned by CINCLANT for 1981.

Security Talks. The Argentines have expressed an interest in consultations, perhaps together with Brazil, focused on Soviet activities in the South

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Atlantic. We doubt that Brazil would wish to participate. Some middle-level talks could be held in conjunction with preparations for Ocean Venture in 1981.

4. Nonproliferation

Nuclear cooperation. We will try to maintain some cooperation with Argentina, in the hope of gaining some influence on Argentine nuclear policy over the longer term, while engaging Argentine leaders in a continuing dialogue on the problems of global proliferation. If Argentine officials are interested, we will seek to work out a solution on the safeguards assurances, in conformance with U.S. law, to permit delivery of the 20% and 93% enriched uranium required by Argentina for its research program. If the assurances issue can be resolved on this basis, Embassy Buenos Aires will explore possible Argentine interest in new cooperation not requiring amendment of the existing agreement of cooperation. We recognize, however, that Argentine interest in further cooperation, beyond the research fuel, appears to be modest.

Dialogue on Proliferation. We will search for ways to continue a dialogue with Argentina's most senior leaders on global and hemispheric proliferation concerns. As a first step, Ambassador Smith plans to write a letter to Admiral Castro Madero following up his recent consultations in Buenos Aires.

PROSPECTS BEYOND 1980

We believe initiatives towards Argentina during the remainder of this year should be limited to the areas outlined above. We do not favor the resumption of military training or FMS at this time. We also do not believe that current policy in the International Financial Institutions should be modified. Our reasons are:

-- We need to maintain some balance in our relations with Argentina and Chile, particularly in view of the Beagle Channel problem.

-- We would like to see further progress on human rights.

-- The struggle over the Presidential succession within the senior ranks of the Argentine Armed Forces will make it increasingly difficult, as the year progresses,

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to discuss specific human rights concerns effectively with Argentine leaders.

The military supply relationship and our position in the IFIs can be reviewed next year in light of human rights conditions prevailing at that time.

Attachment:

Annex - Evolution of Argentine-Soviet Relations.

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Clearances: (in draft)

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S/P - SPurcell
S/MS - CKamman
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E - ECasey
EB - DSmith
S/AS - ALocke
INR/RAR - JBuchanan
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